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Senator Tom Harkin
Chairman, Senate Committee on Agriculture, Nutrition & Forestry
Room SR-328A Russell Senate Office Building
Washington, DC. 20510-6000

Dear Chairman Harkin:

First and foremost, thank you for your outstanding leadership during this Farm Security and Rural Investment Act (farm bill) reauthorization process. The farm bill is a critically important measure for farmers and ranchers, impacting our nation's food security and strengthening our rural communities. Our federal omnibus farm legislation also influences the nation's nutrition agenda, conservation practices, energy strategy and rural development initiatives, and I sincerely appreciate the strong communication that your Senate Agriculture Committee staff has with my office in discussing these issues.

I write to share some of the priorities South Dakotans have emphasized for a new farm bill. As my Washington, DC staff holds video conferences with state organizations and my state staff conducts public outreach days during this farm bill reauthorization process, interested stakeholders continue to share their thoughts on shaping federal farm legislation.

South Dakota producers have emphasized the critical importance of a strong commodity title, and I am confident that under your leadership we can reinstate meaningful crop insurance and commodity provisions.

Crop insurance functions as a fundamental risk management tool for farmers. Our chronic drought conditions in the Great Plains states underscore the need for an effective crop insurance program and for the preservation of a commodity safety net in this next farm bill. A robust and growing ethanol industry has contributed to stronger commodity prices. While farmers simply want to garner a fair price for their crop, failed trade policy and high input costs have in part contributed to the need for strong commodity assistance provisions. Farmers also continue to convey that relatively minor increases in the marketing loan rate and target price for certain commodities would create greater support equity among program crops. Ensuring adequate harvests in future years for both feed and fuel uses will be largely influenced by including effective and workable commodity and crop insurance provisions in this next farm bill, and I look forward to working with you to achieve this goal.

Also, when I held farm bill meetings in South Dakota this past fall, several agricultural organizations proposed restricting the 2002 farm bill's direct payments provisions and using this money to soften the impact of severe baseline cuts. Direct payments remain relatively constant at \$5.2 billion annually because of their fixed nature. This funding stream could be of tremendous benefit in bolstering other programs in this extremely tight budgetary climate. It was recently reported that at an Agriculture Committee field hearing on Saturday, April 14, 2007, in Council Bluffs, Iowa, you also questioned the use of direct payments and stated that several other farm bill initiatives could be

bolstered if direct payments were eliminated. This is a subject on which I would encourage and welcome further discussion.

Under your leadership in 2002, the farm bill contained language from S. 280 from the 107th Congress, the Consumer Right-to-Know Act, which I sponsored to require mandatory Country of Origin Labeling (COOL) for beef, lamb, pork, fruits, vegetables, fish and peanuts. Through a series of behind-closed-door meetings, special interest groups and the White House worked with Congressional Republican leadership to delay COOL for commodities other than fish and shellfish until September 30, 2008.

Mandatory COOL's implementation for fish and shellfish serves to further lend credibility to the fact that the program is a workable, cost-effective consumer right-to-know tool with significant marketing benefits for producers. A number of my colleagues have joined me in supporting S.404, a bill that would speed up COOL's mandatory implementation date by one year to September 30, 2007. COOL should be implemented as soon as possible for all remaining commodities, and I know that you share in my support for this program.

I was pleased to see that conservation programs enjoyed the most significant amount of funding ever at an 80% increase over previous farm bill funding levels in the final 2002 farm bill, and will again work toward a strong conservation title. The federal omnibus farm legislation increased the Conservation Reserve Program (CRP) acreage cap from 36.4 million acres to 39.2 million acres, and included, along with numerous other important programs, the Farmable Wetlands Program (FWP), the Grasslands Reserve Program (GRP), the Conservation Security Program (CSP), and an updated Environmental Quality Incentives Program (EQIP).

While conservationists, farmers, and ranchers alike have expressed marked concern regarding the USDA's implementation of many of these programs, the emphasis placed on these programs in the 2002 farm bill speaks to the enormous necessity and popularity of effective conservation measures. As one example, while the Conservation Security Program was authorized at an appropriate funding level in 2002, the program has been implemented only on a rotational watershed basis and served as a source of frustration for many South Dakota producers. The CSP was cannibalized by \$2.858 billion as an offset for what should have been straight-up emergency spending for natural agricultural disasters during either 2003 or 2004, and took additional hits as a result of the Fiscal Year 2006 budget reconciliation process. I am hopeful that we can resolve the CSP baseline shortfall in this next farm bill, and reauthorize programs that will offer simplified enrollment processes.

On the subject of agricultural disaster, our chronic drought conditions stress the need for a systematic approach to assistance. The White House has consistently thrown up road blocks to securing meaningful help, and President Bush has gone so far as to threaten to veto legislation for American troops in Iraq and Hurricane Katrina victims if supplemental appropriations legislation contained a nickel of help for agricultural disasters. America's national food security is an issue that this Administration seems to take far too lightly. An agriculture disaster is a natural disaster, deserving of timely, emergency funding. The farm bill has saved roughly \$17 billion because of strong commodity prices since it was enacted, and federal farm programs shouldn't be sacrificed as an offset for disaster assistance.

A strong federal omnibus farm bill is a crucial starting point in delivering a comprehensive plan for rural America. Federal farm programs are also largely influenced by the money put behind them. As a member of the Agriculture Appropriations Subcommittee, I will continue to fight for meaningful dollars and pay close attention to program implementation. This implementation process includes program delivery through Farm Service Agency (FSA) county offices, for which I am greatly concerned.

FSA county service centers ensure producers are well-informed on a face-to-face basis by their accessible, skilled staff, and these offices are critical to ensuring successful implementation of the farm bill. A host of programs are entrusted with FSA county office employees for delivery to farmers and ranchers and our 59 South Dakota FSA county service centers do an outstanding job in working with producers across the state. If these centers are understaffed or consolidated, rural communities will suffer. The Administration's FSA county office consolidation efforts only function to undermine our federal farm safety net.

The White House and the USDA's unwillingness to invest in rural America through this FSA county office downsizing effort will exacerbate our rural out-migration problems and compromise our national food security. President Bush's lack of attention to rural America sets a very disappointing example for the rest of the nation that weakens our rural development goals and fails to communicate the importance of our nation's food sources to urban areas and those with no connection to production agriculture. This FSA service center downsizing process must not move forward. I will continue to fight against the proposed FSA consolidation process, and am hopeful the farm bill will include language that will address the larger issue of understaffing at FSA county offices.

On the issue of competition, I share in your concern for the impacts of vertical integration and consolidation on independent farmers and ranchers. The Senate version of the 2002 farm bill enjoyed a strong competition title. While I was pleased to work for the inclusion of my mandatory COOL program in the 2002 farm bill, I was disappointed that the final bill dropped Senate-passed competition provisions that worked to foster fairer marketing practices in the livestock sector. I am hopeful that this next farm bill will include several important measures that would preserve competition in the livestock industry.

The Senate version of the 2002 farm bill included the "Johnson Amendment" to ban packer ownership of livestock. The provision would prohibit packers from owning, feeding, or controlling livestock intended for slaughter. While well-funded opposition was defeated twice during Senate consideration of the farm bill to add my packer ban amendment, it appears that the fact the House did nothing on this issue prompted the provision's defeat during conference consideration. The packer ban provision should be included in this next farm bill.

I will also continue to work toward passage of the Captive Supply Reform Act, which would modify the Packers and Stockyards Act (PSA) to ensure base, fixed prices in forward contracts between producers and packers and public bidding. Additionally, your work on reforms at the USDA Grain Inspection, Packers and Stockyards Administration (GIPSA) is appreciated given the USDA's alarmingly poor job of enforcing the PSA.

The Senate version of the 2002 farm bill also included a provision to mandate common-sense payment limitations. This provision was supported overwhelmingly by the United States Senate on a

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66-31 vote, but the House insisted on changes to the payment limits provision I cosponsored in the Senate that virtually rendered the payment limit meaningless. I am optimistic that this Congress will include a payment limitations provision that has teeth to it, working off the precedent set by the Senate during past farm bill debate.

On the issue of nutrition, I have long shared in your commitment to eliminate hunger in the United States and I believe that the 2007 farm bill is an opportunity to improve and expand upon what is already a successful nutrition title. While the programs that I will discuss are among my top priorities, there is a host of other highly effective and essential federally supported nutrition initiatives that I hope to see included in the next farm bill.

The Commodity Supplemental Foods Program (CSFP) provides more than 6.4 million nutritious meal boxes to low-income seniors, women, infants and children each year. In South Dakota alone, 2,813 seniors receive monthly CSFP boxes, while another 276 remain on the waiting list. This important program is a complement to—not a substitute for—the Food Stamp Program and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). I support reauthorizing this essential program in the next farm bill and encourage you to expand the program to all 50 states. In addition, I support changing the poverty eligibility guidelines to reflect the poverty guidelines of all other federal nutrition programs. Currently, CSFP eligibility is at or below 185% poverty guidelines, while other programs are set at or below 130% poverty guidelines.

The Emergency Food Assistance Program (TEFAP) plays an essential role in servicing our nation's soup kitchens and pantries. As the need for TEFAP services increases, commodity availability continues to decrease; therefore I support increased mandatory funding for TEFAP commodities. I am also supportive of USDA's proposal to make permanent state plans. However, I am concerned about their proposal to create a competitive selection process for choosing local organizations. I fear that instead of removing competitive barriers, this proposal may be creating more barriers in rural states such as South Dakota because small organizations in rural communities may be put at a competitive disadvantage due to lack of resources.

As you know, federal school nutrition programs are vital in ensuring the success of our next generation of leaders. During the Child Nutrition and WIC Reauthorization Act of 2004, the Elimination of Reduced Price (ERP) pilot program was created; however, the program has never been implemented. I recommend that implementing language be inserted into the next farm bill in order to ensure that the benefits of the school meal program are extended to low income working households. Additionally, the Fresh Fruit and Vegetable pilot program has proven to be highly successful in 14 states, including the Pine Ridge Indian Reservation in South Dakota. In order to continue encouraging healthy eating habits and a healthy eating environment in schools, I recommend that the pilot program be expanded nationwide. I would also like to discuss with you a federal nutrition standard for school meal programs.

I have long supported the Food Stamp program, which feeds millions of Americans each day. I recommend an increase in mandatory funding for state administration and I also support increasing food stamp nutrition education among participants. Because obesity among Americans is increasing at an alarming rate, the need for nutrition education among food stamp participants is imperative.

The Food Distribution Program on Indian Reservations (FDPIR) was last reauthorized in the 2002 farm bill and I strongly encourage you to retain this program in this next farm bill. Continued consultation with tribal governments is essential to ensure that the government-to-government relationship is maintained. To that end, my staff in recent weeks has held meetings with several Indian Tribal Organizations (ITO) and tribal leaders regarding the reauthorization of this bill. The main concern raised in these meetings has been a proposed USDA funding change that would apply a one-size fits all approach to the FDPIR. This funding change was largely criticized and it is my hope that this can be resolved through consultation.

Also within this program, I encourage the committee to add language to make it easier for tribes to obtain more traditional foods within the FDPIR food packages. It is important to note the disproportionate rates of diabetes facing American Indians and the positive health benefits that are enhanced by making traditional foods available to Native Americans and Native Communities.

As you know, when people think about a farm bill, they naturally tend to think of legislation that affects our nation's agricultural producers. I share your belief that we must also focus on improving federal policy in the area of rural development, whose purpose is to improve the quality of life for citizens of rural areas who are not directly engaged in traditional agricultural production.

Last year, I announced my Hometown Prosperity Plan, which is an economic development agenda that lays out my priorities for advancing South Dakota's economy from the federal level. The strategies in my plan provide a framework for my priorities in the rural development title of the 2007 farm bill. These priorities include: (1) "Promoting Partnerships," or encouraging greater regional economic cooperation to enhance competitiveness; (2) "Emphasizing Entrepreneurship," or placing more emphasis on cultivating the creation of new businesses, as a supplement to the traditional strategy of luring existing businesses from elsewhere; (3) "Investing in the Public Good" by directing federal funds to projects that yield a positive return in the form of public benefits; and (4) "Protecting Pocketbooks" by addressing trends that sap economic strength, such as rising health care costs, rising fuel prices, and stagnant wages.

I am confident we can achieve our mutual goal of increasing prosperity in rural America by implementing my plan's strategies through the following specific rural development policies:

Initiate operations of the Northern Great Plains Regional Authority, which was created in the 2002 farm bill. As you know, the authority is a voluntary organization modeled after the successful Appalachian Regional Commission. Its mission is to enhance economic development by promoting greater interstate economic cooperation and collaboration across North Dakota, South Dakota, Nebraska, Iowa, and Minnesota. The organization was created by Congress with the blessing of the President, and is authorized to receive \$30 million each year for five years to boost the competitiveness of our region. Unfortunately, the President inexplicably changed his mind about the organization, and has blocked its operation and most of its funding. I believe we should modify the organization's governance structure to allow the organization to begin operating despite the President's apparent opposition.

Facilitate local economic competitiveness and strategic economic planning through your Rural Collaborative Investment Program (RCIP) proposal. As you know, the 2002 farm bill created the Rural Strategic Investment Program, whose purpose mirrors that of your proposal. But the executive

branch has failed to implement the program and prevented rural communities from benefiting from it. I support your RCIP proposal to implement this high potential tool for achieving greater local economic coordination, new public-private partnerships, and innovative job-creating projects.

Retain and refine successful USDA Rural Development economic development tools. These include the Community Facilities Grants and Loans, Water and Wastewater Infrastructure Grants and Loans, the Rural Business Enterprise Grants, Rural Business Opportunity Grants, Value Added Agriculture Development Grants, Intermediary Relending Program, Distance Learning and Telemedicine Grants and Loans, and the Broadband Access Program, among others. These programs have proven their effectiveness in improving the quality of life for rural citizens across South Dakota. The programs should be refined, made more cost-effective in light of recent experience, and adequately funded through the authorization and appropriations process.

Provide incentives for greater private-sector equity investment in rural business by improving the Rural Business Investment Program (RBIP). As you know, venture capital and other forms of equity are relatively scarce in rural states. The RBIP was created in the 2002 farm bill to address this scarcity, and the program was modeled on a similar program operated successfully by SBA. Unfortunately, overly complicated implementation rules have prevented this program from achieving its potential of luring more private investment to fast-growing companies in rural America. By modifying and streamlining the program, we can catalyze more rapid private-sector job creation in rural communities.

Stimulate more business startups through micro-lending. As you know, many would-be entrepreneurs in local areas cannot get access to the small quantities of capital needed to implement sound concepts for new businesses. The delivery of "microloans" to these individuals is a proven way of creating more small businesses. Because microloan programs require small quantities of capital, and the loans are repaid, the programs are also cost-effective. By creating a microloan program targeting rural communities, we can help to reverse the loss of rural population that results from inadequate economic opportunities.

Ensure access to affordable and high-quality health care by building on the President's proposal to upgrade Critical Access Hospitals. As you know, these hospitals provide an indispensable public service for people in rural areas who would otherwise have to travel even greater distances, at great expense, to get medical treatment. The President's proposal to upgrade these facilities is a good start, and I believe we can go even farther in order to improve health and the quality of life in rural America.

Within the Rural Development portion of this reauthorization, there are several areas of interest to the Indian communities throughout South Dakota. Primarily, I encourage the committee to maintain and increase tribal set-asides for grant programs within the Rural Development section of the reauthorization, such as the Water and Wastewater Infrastructure program. In addition, many tribes have requested the non-federal financial match requirement be reduced from 25 percent to ten percent. Many South Dakota tribes' inability to meet this requirement results in continued lack of infrastructure, and continued shortage of the kind of sustainable economic activity that will ultimately reduce the need for federal assistance.

The 1994 Land Grants Institutions offer three important competitive programs. These programs include the Tribal Colleges Education Equity Grants Program, the Tribal Colleges Extension Services Program, and the Tribal Colleges Research Grants Program. Due to the fact that these institutions serve remote populations, such as Indian reservations, that lack the infrastructure and access higher education, I encourage the committee to include these programs and ensure that they are reauthorized at levels necessary to carry out their purpose. I also encourage the committee to extend authorization of the Tribal College and University Essential Community Facilities Grant program.

The 2002 Farm Bill included a groundbreaking energy title that for the first time recognizes the role of agriculture producers toward securing our nation's energy independence. As a member of the Senate Energy and Natural Resources Committee, I am committed to reducing our dependence on foreign sources of energy by increasing the use of biofuels. In 2005, I joined Senator Byron Dorgan in offering the Renewable Fuels Standard amendment adopted by the Energy Committee and ultimately included in the Energy Policy Act (EPACT). The Farm Bill represents a tremendous opportunity to further advance renewable energy production if the Committee adopts the following set of policies:

Enhance Incentives to grow dedicated biomass energy crops by expanding the bioenergy program (Title IX section 9010). The 2002 Farm Bill provided \$100 million annually through Fiscal Year 2006 to enable biorefineries to make greater purchase of corn for ethanol and soybeans for biodiesel. With pressure on land resources from increased demand for ethanol production, the conservation and sustainability of land must be compatible with any new program to provide incentives for producing feedstocks for cellulosic ethanol. Accordingly, I support an enhanced producer incentive program that focuses on feedstock production to grow dedicated energy crops on *working* agriculture lands while keeping marginal lands set aside for wildlife habitat and watershed protection.

Leverage USDA's expertise in facilitating access to capital by reforming and coordinating various federal loan and grant programs. Title XVII of the Energy Policy Act of 2005 authorizes a Department of Energy loan program in support of debt financing to employ new energy technologies that reduce air emissions and greenhouse gases. The Farm Bill presents an opportunity to rationalize and streamline federal loan programs in order to bring on-line new cellulosic ethanol and renewable energy projects. The Department of Agriculture has the expertise to focus on the feedstock production, handling, and transportation challenges toward launching a cellulosic ethanol industry. I believe that the Committee should focus on developing an initiative to provide debt financing to all components of developing a cellulosic ethanol industry, with the goal of providing guarantees for up to 80 percent of the capital costs.

Capture existing partnerships to maximize basic and applied science research into biomass feedstock and conversion technologies by fully funding the Sun Grant Research Initiative. Supporting the Regional Biomass Feedstock Development Partnerships will advance the development of feedstocks and conversion technologies best suited for certain regions of the country. Since 2005, the Sun Grant Initiative has enhanced coordination between the Department of Energy and the United States Department of Agriculture to assess and improve resource availability and feedstock economics. The program is utilizing guidance from the Biomass Technical Advisory Committee provided for by the Biomass Research and Development Act of 2000 to integrate research and development across all agencies. The Farm Bill can further the goals of these existing centers of excellence by fully-funding

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the Sun Grant Initiative (section 778, p.l. 108-99) and extending the authorization through Fiscal Year 2012.

Mr. Chairman, I know that we both place a great deal of importance on rural communities and your leadership through this farm bill reauthorization process is sincerely appreciated. I thank you in advance for your consideration of my requests, and I look forward to working with you to advance these initiatives.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Johnson", with a stylized flourish at the end.

Tim Johnson
United States Senate